

## City of Flagstaff

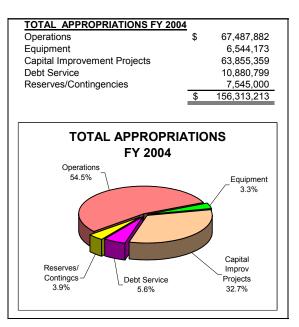
### OFFICE OF THE CITY MANAGER (928) 779-7604

Honorable Mayor, City Council and Citizens of Flagstaff:

On July 6, 2004 the City Council adopted a record budget. While increasing expenditures from year to year are the norm, this statement underscores the rather dramatic increase from FY 2004 to FY 2005. Appropriations totaled \$156,313,213 in FY 2004. Adopted appropriations for FY 2005 add up to \$195,521,096, a 25% increase over the previous year. Major factors pushing budgeted appropriations include:

- Personnel increases, including market and merit;
- ➤ Adoption by voters of bonded, capital projects;
- ➤ Carryover of several large capital projects.

Operations	\$	74,246,709
Equipment		5,030,844
Capital Improvement Projects		96,750,698
Debt Service		11,447,845
Reserves/Contingencies		8,045,000
	\$	195,521,096
TOTAL APPROPI FY 2005		S
11 2003	,	
Operations	E	quipment 2.6%
37.9%		2.070



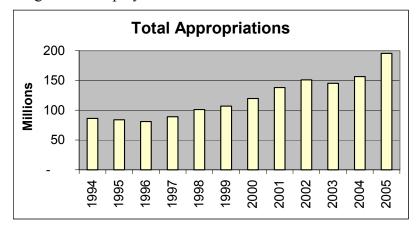
These figures appear to represent a rebound from service and employment reductions of recent years. In fact, recent reductions paved the way for new initiatives as revenue growth resumes. Moreover, citizen trust and support of City government appears to be strong, perhaps due to careful fiscal management which avoided the appearance of crisis observed with some other local governments. In May, voters approved ten out of thirteen capital projects, authorizing bonds over a multi-year period totaling \$155.2 million.

The City's fiscal management record is stellar. Since 1994, the City has received recognition from the Government Finance Officers Association for a budget that meets criteria as a policy document, an operations guide, a financial plan, and a communications device. Similar recognition has been awarded the City's Annual Financial Report. GFOA awards in essence recognize our elected officials and employees for consistently carrying-out sound financial management and an annual work program based on multi-year planning.

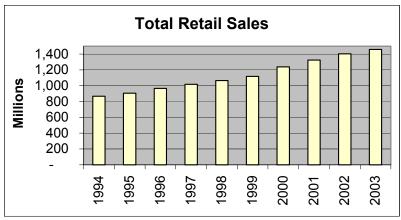
While the quality of our budget has been consistent, the organization and community have been very dynamic. A retrospective look is both interesting and instructive.

#### **Looking Back**

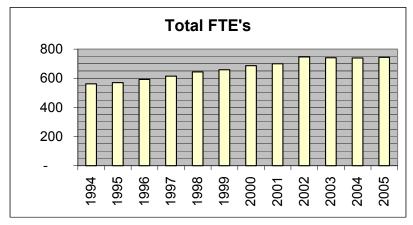
The total appropriation for FY 1994 was \$86,162,144, compared to \$195,521,096 for FY 2005. City employment totaled 564 full-time equivalent (FTE), which includes part-time employees. In 1994, 191.75 employees worked in public safety, 34% of the total work force. In FY 2005, 33% of the workforce continues to work in the Police and Fire Departments, totaling 247.75 employees.

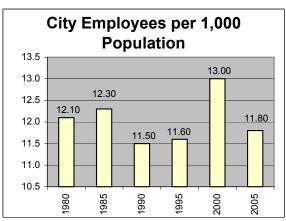


In 1994, 50,469 people called Flagstaff home according to Arizona Department of Economic Security estimates; in 2005 the estimated population is 63,000. Retail sales of \$1,458,775,346 in FY 2003 compare to retail sales in 1994 totaling \$867,566,687, an increase of 25% per capita, roughly equivalent to the Consumer Price Index adjustment for the same period of just over twenty-three percent. The total sales tax rate paid by consumers in 1994 was 6.5%. In 2005 it will be 7.525%. (Sales tax figures do not include 2% BBB, which has remained constant over this period, or the transportation tax enacted in 2000 which is a variable figure). The City property tax rate in 2005 will be 1.7127, which is the same rate paid since 1998. In 1994, the property tax rate was significantly higher at 2.1014.



Operating a full service City government is expensive and the costs have increased significantly since 1994. As the population has increased the geographic coverage of services has also increased. For most services, more employees are needed to provide the same level of service to more people living on more acres and utilizing more miles of streets and utilities. Moreover, the operating cost per employee increases each year. In 1994, 564 employees costing \$23,151,294 provided services to 50,469 people. The personal services budget per employee (on average) was \$41,048 citywide. 743.45 employees will serve 63,000 people in FY 2005, costing \$44,173,493 or \$59,417 per employee. Employee compensation and benefit costs have increased by 91 percent since 1994. Average employee compensation has increased by 45%. The employee to population ratio of 11.18 in 1994 compares to 11.80 employees per 1,000 people in 2005.





Meanwhile, City services have increased significantly as the following comparisons demonstrate:

	<u>1994/95</u>	<u>2004/05</u>
Capital Projects Delivery: budgeted	\$32,564,265	\$96,750,698
Lane Miles of Streets: swept/maintained/plowed	384	585
Miles of Bike Lanes: on street	22	75.6
Court Case Filings	16,496	21,004
Computers/Printers Served	40-50	487
Enterprise Software Maintained	11	28
GIS Data Layers Maintained	6	70+
Sales Tax Licenses Issued (FY 94 & FY 03)	759	1,105
Sales Tax Returns Processed	19,897	30,961
Sales Tax Receipts @ 1%	\$6,736,801	\$12,320,000
(Does not include 2% BBB or Transportation Tax)		
Library Materials Circulation (CY 94/CY 03)	428,651	776,910
Library Main Branch – Visitor Count	324,580	573,737
Library Computers – Internet Access	1	75
Building Permits (CY 94/CY 03)	703	904
(Information does not include Misc. Permits or Permits for		
Mobile Home Installation)		
Value of Building Permits (CY 94/CY 03)	\$51,382,322	\$110,474,633
Fire Stations	5	6
Fire Calls – EMS	3,374	4,388
Fire and Other Calls	1,123	1,866
Acres Thinned/Rx Burns	0	1,696
Police Calls for Service (CY 94 and 03)	52,184	55,709
Incident Reports	25,303	37,644
DUI Arrests	771	959
Acres of Parks Maintained	596.98	702.3

(Continued from previous page)	<u>1994/95</u>	<u>2004/05</u>
Other Acres (Cemetery/Streetscape/ROW)	14	81.6
Miles of FUTS	12.75	32.32
Acres of FUTS	250	650
Downtown Maintenance District Square Blocks	0	15
Number of Fleet Vehicles Maintained	384	536
Tons of Solid Waste	125,644	123,720
Tons of Recycling	737	12,635
Tons of Household Hazardous Waste	16.4	71.1
Gallons of Water Produced	2,519,228,000	2,767,511,000
Gallons of Wastewater Treated	2,315,023,000	2,214,714,000
Reclaimed Water Sold	390,468,800	529,557.568
Number of Meters Read	(1995) 166,106	204,630
Number of Utility Bills Processed	(1995) 167,565	206,750

In addition, a significant array of services now expected by our residents that were not provided in 1994. For example:

- Streetscape maintenance downtown. (The Downtown Project had not yet been built).
- Streetscape maintenance Citywide. (The first BBB Beautification project, Rt. 66, had not yet commenced).
- Recycling, curbside pickup.
- Household Hazardous Waste Drop-off Facility.
- Risk Management.
- Visitor Center operation at the Railroad Depot.
- Affordable Housing and CDBG.
- Rio de Flag (as a budgeted project, requiring full time staff over a multi year period).
- The creation of a Stormwater Utility to provide compliance with the National Stormwater Act.
- A redevelopment program to implement major goals of the Regional Plan.
- The Flagstaff Metropolitan Planning Organization (FMPO).
- Transit, funded by a voter approved sales tax.
- Branch libraries at Forest Lakes and Tuba City as well as the East Flagstaff Branch Library
- Sunnyside Multi-year Infrastructure Improvements \$4.6 million over the next 5 year period.
- Transportation Tax Improvements Implementation, a 20-year transportation improvement program totaling \$119 million, funded by sales tax.
- Forest Fuel Management.
- Citywide Grants Program.
- Environmental Clean Up and a new Brownfields Initiative.
- An extensive External Affairs program.
- After school program, in conjunction with Alliance partners, funded by the City in the amount of \$315,000.
- Many new Recreation and related Parks Programs: 1994 combined budget of \$2,199,599; 2005 budget of \$4,468,855.
- Open Space Plan and Implementation.
- Regional Plan Adoption and Implementation.

The observation that may be drawn from this information is that City staff has risen to the demand for increased services over the last decade. Many new services have been added. Service growth demands have been met. Where one might expect the number of City employees measured against total population to have increased significantly, this is not the case. To be sure, employment has grown; however, the ratio of employees to population has remained constant. Departmental leadership and employees have created new service opportunities through thoughtful planning, economizing, careful budgeting and creativity. I invite the beneficiaries of this superior delivery of public service to thank City employees.

#### **Looking Ahead**

In 2005 the Community will continue to enjoy the benefits of its tax dollars and our employees' labor. Careful budget planning and fiscal restraint during the last several years have paid off. While budgets have been reduced and positions eliminated, City departments have continued to supply high levels of service.

As a reminder, the City faced approximately \$2.4 million in revenue losses during recent years, primarily due to declining state shared revenues. Since 2001 the City has reduced operating budgets in response to the revenue loss. A total of 38 positions have been phased out, or will be phased out by the end of FY 2006. Services have been cut, including significant recreation and library services. Many other service areas show strain and subtle service impacts, such as degraded police response time and significantly reduced special assignments (bike patrol, for example.) in the Police Department. Moreover, every department has experienced increased workload stress on employees.

The proposed 2005 budget begins some modest corrective steps. Four positions cut or slated for phasing out by the end of 2005 are reinstated: a Firefighter position, Administrative Assistant in Community Development, the Facilities Maintenance Superintendent, and a support staff person in the Administrative Offices. Limited staff additions are proposed. While these corrections are modest, they represent a very positive turn of events.

The proposed budget is balanced and continues to focus on the City Council's priorities. The guiding parameters for the budget are the ten broad goals first adopted by the City Council three years ago and subsequently reaffirmed and modified to reflect Council direction. The most recent Council direction regarding these goals was provided at the February 2004 Council Budget Retreat.

#### CITY COUNCIL GOALS - FY 2005

#### **Economic Development**

GOAL: Maintain and strengthen Flagstaff as a regional center for retail, employment and hospitality, while enhancing the quality of life for our residents through technology and innovation and the attraction of employers who pay livable wages.

- ➤ Inasmuch as advanced technology is critical for the attraction and retention of desired employers, the City will work closely with GFEC and other partners to implement findings and recommendations of the Telecommunications Study being completed by GFEC.
- Economic development initiatives require public support; thus, staff is to develop an approach for project development, which engages public discussion and the City Council early in any process leading to a specific project.
- A core value and goal of the Regional Plan is redevelopment; staff is asked to develop a multi-year plan for Council discussion, which outlines when areas of the community will gain the focus of redevelopment strategies, including 4<sup>th</sup> Street area and implementation of the Urban Mobility Study.

- ➤ Continued implementation of several economic initiatives, which have been underway for one or more years:
  - The Rio de Flag Project received a \$1.2 million federal construction appropriation in FY 2004 and \$3 million is expected to be appropriated for federal FY 05. The City continues to budget for its share of this local/federal project appropriating \$6,875,725 in FY 05. The City will spend a total of \$12 million for the project, noting increases in allocation to the Rio de Flag project included in this budget. The City may need to appropriate additional money for bridge reconstruction, not initially included in the current cost estimate. Design will continue and the first phase of construction will commence in this calendar year.
  - The likely investment in the Southside, following completion of the Rio de Flag Project, necessitates completion of a neighborhood plan in that area. The Southside planning process will be completed this year.
  - The East Flagstaff Gateway Project will move ahead with design and infrastructure construction commencing by Spring 2005.
  - The Empire Project construction startup is expected to begin in the summer of 2004. The City budget for the project totals \$2,591,162.
  - The Conference Center Project market feasibility study will be reviewed during the first quarter of the fiscal year. If the feasibility study concludes that reasonable financing options are available, a development agreement will be developed for Council/public discussion and Council consideration.
  - The City will issue an RFP for the Downtown Gateway West Project when financial projections are clearer and appropriate timing in conjunction with the Rio project can be concluded
  - Airport Expansion Projects will continue with design of the runway extension, which will complete within 14 years the Airport 20-Year Master Plan adopted in 1991, with an investment of \$58 million in local, state and federal funding when completed in 2006.
  - USGS Campus Development Plans have been completed and voters authorized site development and building construction to meet expanding needs of USGS. A first phase will be determined and moved forward.
  - The Convention and Visitors' Bureau work program will include efforts to strengthen the tourism sector of the economy, including: enhanced marketing and public relations, bringing those functions in-house.
  - West Side Annexation will receive attention this year, although timing does not appear to be a critical concern.
  - The City Manager will work with the GFEC President to strengthen the City/GFEC economic development program partnership.

#### Fiscal Health

- GOAL: Maintain written policies to provide for a balanced budget that meets a vast array of community needs, to ensure that resources are available to meet future needs and allow for community infrastructure to be maintained at adequate levels and other sound financial practices that maintain the fiscal health of the organization.
- Fiscal health must be of paramount interest when public/private partnerships for economic development are considered; and thus, fiscal impact and financial feasibility information must be clearly and openly discussed.
- ➤ Continue to study impact fees and provide opportunities for public and Council discussion of options and variations. Consider including water resource fees as part of the discussion.
- ➤ Develop Use Tax information for further Council discussion.
- ➤ Implement liquor license fees to recover issuance costs.
- Continue exploring revenue generating ideas and implement those already directed by the City Council.
- Continue an active grants program with a target of continuous improvement in the number and level of grants received.
- Complete negotiations of the Cable Franchise Agreement.
- > Develop opportunities for service enhancements and efficiencies through intergovernmental consolidation will be studied.
- > Staff will study necessary and appropriate long-term adjustments of HURF funded operations and/or capital allocations in view of declining HURF revenues from the State.

#### **Public Safety**

- GOAL: To promote and maintain a safe community through an integrated public safety system that addresses the underlying issues affecting public safety, health and quality of life.
- ➤ Determine an appropriate increase in handicapped parking fines for Council consideration and develop a fair signage and enforcement policy.
- ➤ Police force strength will be improved, targeting authorized levels by filling the two positions requested as a priority by the Chief, and by providing greater shift flexibility through authorization of an additional sergeant position.
- The Police and Fire Departments will continue to work closely to improve emergency dispatch services, and to maintain response preparedness in the event of homeland security threats or actual incidents.
- A set aside for the current fiscal year of \$400,000 will be maintained and available for overtime in the event of a major fire experience or homeland treats.
- An active fuel management program to reduce both fuel densities and bark beetle infested trees will be continued.

- A firefighter position has been restored in the budget as an incremental step toward additional staffing.
- ➤ The Fire Department will develop a contract proposal with Flagstaff Ranch, which, if approved will require accelerating the construction/relocation of a fire station further west. It is proposed that proceeds from the proposed contract go toward debt service thus avoiding delay of other bond projects.

#### Affordable Housing

GOAL: To insure that a variety of housing opportunities are available to a diverse population, especially those requiring entry level housing.

- A staffing increase is budgeted. Greater definition of need will be determined as Community Development staff works through reorganization decisions.
- ➤ The City will continue to facilitate a comprehensive discussion among agencies involved in providing housing with a goal of determining needs, funding and program opportunities, agency alignment and whether an Affordable Housing Commission is recommended.
- ➤ With the assistance of a HUD Technical Advisory Service, staff will determine the feasibility and best practice for establishing a community land trust.
- As directed by Council following legal advice from the City Attorney, pursue, as determined appropriate, authority for inclusionary zoning.

#### **Capital Improvement**

- GOAL: Plan, program, design and construct public works and facilities capital improvements through a structured, efficient and transparent process ensuring scarce public resource expenditure for the greatest benefit to the community; creating a built environment shaped through citizen involvement, reflecting community pride.
- ➤ The Capital Division will be combined with and incorporated into the Community Development Department, with the CID Director designated as Deputy CD Director for transition into the Director position when the Director retires, as planned.
- The Capital Division will maintain the parks, utilities, transportation and multi-modal construction program, including Fourth Street Phase I and II, Rio de Flag Flood Control, Sunnyside II, III and IV, Butler Avenue Waterlines, Thorpe, Christensen and Thomas Fields, Sixth Avenue Detention Basin/BMX, Safe to School, and FUTS projects.
- ➤ The revised 5-year CIP planning process, which increases participation and gains Council adoption of the next fiscal year and five-plan will be utilized.

#### **Customer Service**

GOAL: Instill a positive customer service culture throughout the organization and with each employee of the City in the delivery of service both externally and internally.

- > The use of technology to enhance customer service should be pursued, including, but not limited to, credit cards and information dissemination.
- ➤ Reinforce with staff that timely access to information is a component of customer service, and that customer service extends to the City Council and Council meetings.
- ➤ Wearing name badges and other means of helping customers identify City staff will be City policy.

#### Planning for Growth

GOAL: To shape growth, with the involvement of the community, in a manner that protects and preserves our region's natural environment, livability and sense of community.

- An array of planning activities will be delivered specifically designed to implement the Regional Plan, including: redevelopment planning and projects identified under the economic development goal; southside planning, continuation of FUTS project development and construction, incremental reclamation and enhancement of City-owned and occupied open space in conjunction with planned FUTS project corridors, and Open Space Plan implementation.
- ➤ The Community Development reorganization process will be largely complete and institutionalized.

#### **Collaboration**

- GOAL: Strengthen the community by strengthening partnerships with sovereign nations, public, non-profit and private agencies. Develop collaborative goals, through all levels of the organization, based upon common interests with these agencies to optimize the use of community resources and the delivery of services to the citizens of Flagstaff.
- > Staff will schedule appropriate opportunities to discuss the proposed Rural Policy Institute with the Council, Alliance members and the public and to pursue funding opportunities from Federal and State governments and private sponsors.
- A process will be conducted with Alliance partners to identify primary issues for the continued follow up on the Alliance highest priority education.
- > State and federal agencies and elected representatives will be engaged proactively in pursuit of City interests, including, but not limited to, organizing a greater Council presence in the determination of local and statewide local government interests.
- ➤ Opportunities for service consolidation will be analyzed and implementation methodologies determined in cooperation with Alliance partners.
- ➤ Community and regional policy statements and strategies will be discussed with partners to identify best practices for implementation of programs including: transportation, sustainable water resources, economic development and state/federal funding.

#### Quality of Life

- GOAL: To enhance the quality of life of our community, we will assure comprehensive programs that allow for a balance between economic development, resource protection and neighborhood concerns, that include cultural components that cross generational boundaries and strive to create cost effective and pro-active approaches to meet the social, physical and economic needs of our citizenry as we celebrate Flagstaff's heritage, diversity, and vast aesthetic appeal.
- > Staff will assist the Open Space Commission in determining Open Space acquisition priorities and negotiating appropriate transactions, including Bond Program initiatives, if approved by voters.
- ➤ Water conservation policies adopted by the City Council will be implemented.
- Added focus will be given to water capacity development, including developing local underground resources and the acquisition of water rights for which conveyance to Flagstaff may be developed.
- > Study the establishment of a water resource fee, preferably graduated in some equitable manner and to allow for affordable housing exemption.
- > Staff will initiate location and design activities as appropriate for implementation of any Bond Program initiatives as approved by voters.

#### **Organizational Support**

- GOAL: To ensure the City of Flagstaff has the necessary organizational structure and staff who are trained to achieve the goals of the City, now and in the future. To develop and maintain compensation and benefits systems that allows the City as an employer to hire and retain a workforce that is recognized by the Council and public as committed public employees.
- ➤ A timely discussion about a Meet and Confer Ordinance is to be scheduled for a Worksession, following an opportunity for employee education by the joint staff committee charged with developing a draft ordinance, as well as a vote by employees.
- Employee performance expectations will reasonably consider the impacts of decreases in staffing levels.
- > Staffing levels are restored to some degree by including allocations for retaining/restoring five positions otherwise eliminated by the employment reduction program.
- A three percent market adjustment to employees is included in the budget along with increased allocations to pay for health insurance cost increases.
- Employer obligations towards employees will continue to be addressed. As discussed under fiscal health, adequate revenues are needed to support City services and the employees who provide them. It continues to be a City goal to position the City fiscally for FY 2005 and beyond to meet the needs of employees and the community.
- An additional staff position is proposed in Human Resources to correct an understaffing situation and to allow for time devoted to organizational development and transition planning.

#### **SUMMARY**

As I have stated, it is much easier to develop a proposed budget when clear direction is given by the Council. I would like to again thank the Council for its leadership and direction. Every effort has been made to reflect that direction in this budget. Of particular note, this budget includes a three percent market adjustment for employees. The proposed budget and market increase have been presented and discussed with EAC.

It is necessary to acknowledge and thank employees who have continuously and thoughtfully supported budget decisions during the last several years. Although position reductions are difficult, employees have examined our options and have supported the choices made.

All the while employees have continued to work hard, adjust to new challenges and changes, including some reorganizations, and to provide superb service to our citizens. They continue to be team players as adjustments are made in response to changing realities

As always our Finance and Budget teams under the direction of Mary Jo Jenkins and Barbara Goodrich have done an excellent job.

Respectfully submitted,

DAVID W. WILCOX

City Manager

# City of Flagstaff Mission Statement

The mission of the City of Flagstaff is to enhance the quality of life to its citizens while supporting the values of its community.

#### Our Values Are:

#### **ACCOUNTABILITY**

We are accountable to the community and each other

#### **RESPONSIVENESS**

We value addressing our customer's concerns

#### **QUALITY**

We provide high-quality customer service

#### **PROFESSIONALISM**

We are honest, responsible, fair, highly-trained, and cost conscious

#### **TEAMWORK**

We are a team in partnership with citizens, other agencies, and each other for a better Flagstaff

#### PROBLEM SOLVING

We solve problems creatively, open-mindedly, and professionally

"Service at a Higher Elevation"



#### Budget Highlights 2004 – 2005

#### Accountability

Staff are to develop an approach for economic project development which engages public discussion and the City Council early in the process leading to a specific project.

#### Responsiveness

The Police and Fire departments will continue to work closely to improve emergency dispatch services to maintain response preparedness in the event of homeland security threats or actual incidents.

#### Quality

Pursue customer service enhancements through the use of technology, including but not limited to credit card acceptance and information dissemination.

#### Professionalism

Analyze future staffing concerns in relation to pending retirements in senior management through succession planning including reorganizations that maximize efficiency.

#### Teamwork

Work with GFEC and other partners to implement findings and recommendations of the Telecommunications Study.

#### **Problem Solving**

Facilitation of comprehensive discussions among agencies involved in providing housing with a goal of determining needs, funding and program opportunities, agency alignment, and the need for an Affordable Housing Commission.

#### Accomplishments 2003 - 2004

#### Accountability

Conducted a citizen survey eliciting feedback from citizens on water conservation and street maintenance, as well as a yearly rating of city services.

#### Responsiveness

The Police Department maintained 72 Block Watches to address neighborhood concerns such as traffic, graffiti, and other issues affecting quality of life.

#### Quality

Established an Electronics Recycling Program resulting in over 14 tons of electronic waste being recycled.

#### Professionalism

Government Finance Officers Association presented the City the Distinguished Budget Presentation (eleventh consecutive) and Excellence in Financial Reporting (thirteenth consecutive) Awards.

#### Teamwork

Worked with the Flagstaff Unified School District on a collaborative grant application for the Frances Short Pond Restoration project.

#### **Problem Solving**

Proactively met the community's need for materials and information by increasing the DVD and CD collections at the Library, as well as performing extensive maintenance on collections in all formats in order to make them more usable and up to date.

